

**TOWN OF BEAVER
BEAVER, OKLAHOMA**

**ANNUAL FINANCIAL STATEMENTS
AND ACCOMPANYING
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
JUNE 30, 2013**

TOWN OF BEAVER, OKLAHOMA
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TOWN OF BEAVER, OKLAHOMA

LIST OF PRINCIPAL OFFICIALS

TOWN COUNCIL

Denise Janko, Mayor

Billy Cates

Brenda Maness

Blane Smylie

Debbie Brennon

TOWN ADMINISTRATOR

J.C. Moser

TOWN TREASURER

Lori Downing

TOWN CLERK

Lisa Chockley

INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Beaver, OK

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Town of Beaver, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Town of Beaver, OK, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4–10 and 31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2014, on our consideration of the Town of Beaver, OK's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Town of Beaver, OK's internal control over financial reporting and compliance.

FSW & B CPA's- PLLC

FSW & B CPA's- PLLC

Woodward, OK
November 11, 2014

Our discussion and analysis of the Town of Beaver's ("Town") financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013. The Town's performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This discussion focuses on the Town's primary government, and unless otherwise noted, component units reported separately from the primary government are not included. Please read it in conjunction with the Town's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's assets exceeded its liabilities by \$1,746,295 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,131,863, restated.
- Total liabilities of the Town were \$251,394 of which \$130,617 represents long term debt outstanding.
- Total net assets are comprised of the following:
 - 1) Invested in capital assets, net of related debt, of \$1,021,885 includes property and equipment, net of accumulated depreciation, reduced for outstanding debt related to the purchase or construction of capital assets.
 - 2) Unrestricted net position of \$594,292 represent the portion available to maintain the Town's continuing obligations to citizens and creditors.
 - 3) Reserve for restricted purposes of \$130,118 is restricted for debt and other obligations.
- The Town's governmental funds reported total ending fund balance of \$495,544 this year. This compared to the prior year ending fund balance of \$451,542, showing an increase of \$44,002 during the current year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Management's Discussion and Analysis introduces the Town's basic financial statements. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The Town also includes in this report additional information to supplement the basic financial statements.

Government-wide Financial Statements

The Town's annual reporting includes two government-wide financial statements. These statements provide both long-term and short-term information about the Town's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The first of these government-wide statements is the *Statement of Net Position*. This is the Town-wide statement of financial position presenting information that includes all of the Town's assets and liabilities, with the difference reported as net assets. Over time, increases or decreases in net assets may serve as a useful indication of whether the financial position of the Town as a whole is improving or deteriorating. Evaluation of the overall economic health of the Town would extend to other financial factors such as diversification of the taxpayer base or the condition of the Town infrastructure in addition to the financial information provided in this report.

The second government-wide statement is the *Statement of Activities*, which reports how the Town's net assets changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid. An important purpose of the design of the statement of activities is to show the financial reliance of the Town's distinct activities or functions on revenues provided by the Town's taxpayers.

Both government-wide financial statements distinctively report governmental activities of the Town that are principally supported by taxes and intergovernmental revenues, such as grants, and business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general government; public safety; transportation; and recreation. Business-type activities include utility services provided by the Town. Fiduciary activities, including municipal bond activity, are excluded from the government-wide statements since these assets are not available to fund Town programs.

The Town's financial reporting entity includes the funds of the Town (primary government) comprising of governmental and business-type activities. Management's Discussion and Analysis will focus on the Town's primary government.

Fund Financial Statements

A fund is an accountability unit used to maintain control over resources segregated for specific activities or objectives. The Town uses funds to ensure and demonstrate compliance with finance-related laws and regulations. Within the basic financial statements, fund financial statements focus on the Town's most significant funds rather than the Town as a whole.

The Town has three kinds of funds:

Governmental funds are reported in the fund financial statements and encompass essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus is different with fund statements reporting short-term fiscal accountability focusing on the use of spendable resources during the year and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of governmental programs and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to the government-wide statements to assist in understanding the differences between these two perspectives.

Budgetary comparison statement is included in the basic financial statement for the General Fund. This statement demonstrates compliance with the Town's adopted and final revised budget.

Proprietary funds are reported in the fund financial statements and generally report services for which the Town charges customers a fee. The Town has one type of proprietary fund, enterprise funds. Enterprise funds essentially encompass the same functions reported as business-type activities in the government-wide statements. Services are provided to customers external to the Town organization such as water and electric utilities.

Proprietary fund statements and statements for discretely presented component units (reporting similarly to proprietary funds) provide both long-term and short-term financial information consistent with the focus provided by the government-wide financial statements but with more detail.

Fiduciary funds are excluded from the government-wide reporting. Fiduciary fund financial statements report resources that are not available to fund the Town's programs. Fiduciary fund statements report similarly to proprietary funds.

Notes to the financial statements

The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements. Those notes to the financial statement begin immediately following the basic financial statements.

Other information

In addition to the basic financial statements and accompanying notes, this report presents certain *Required Supplementary Information* concerning the Town's compliance with the approved and revised budget for the General Fund.

A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE

Changes in net assets may be observed and used to discuss the changing financial position of the Town as a whole. The Town's net assets at fiscal yearend were \$1,746,295. The following table provides a summary of the Town's net assets at June 30:

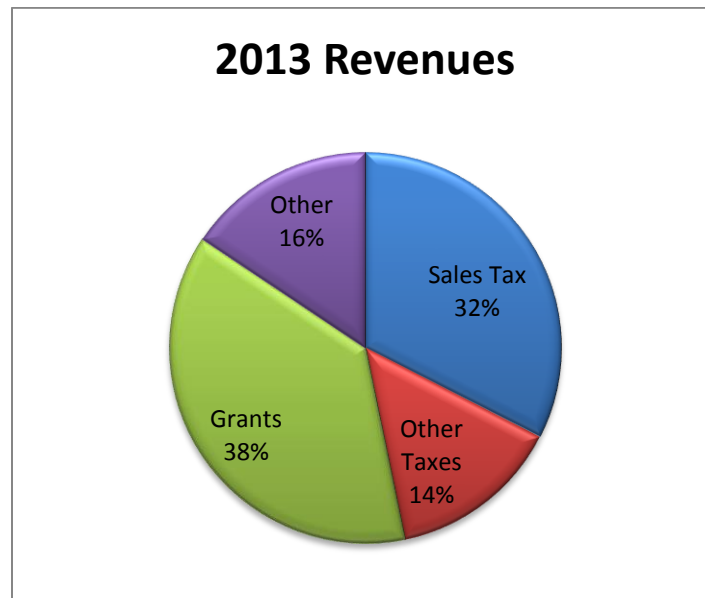
	Governmental Activities	Business-Type Activities	Totals
	2013	2013	2013
Current assets	\$ 337,324	\$ 112,890	\$ 450,214
Restricted assets	182,078	141,399	323,477
Capital assets, net	1,141,425	96,668	1,238,093
Total assets	\$ 1,660,827	\$ 350,957	\$ 2,011,784
Current liabilities	\$ 23,858	\$ 96,919	\$ 120,777
Non-current liabilities	6,385	138,327	144,712
Total liabilities	30,243	235,246	265,489
Net position			
Invested in capital assets, net of related debt	1,128,735	(106,850)	1,021,885
Restricted	127,814	2,304	130,118
Unrestricted	374,035	220,257	594,292
Total net position	\$ 1,630,584	\$ 115,711	\$ 1,746,295

The Town reported positive balances in net assets for both governmental and business-type activities. Net assets increased \$608,748 or 60% for governmental activities and \$5,684 or 5% for business-type activities. The Town's overall financial position improved 54% during fiscal year 2013 prior to prior period adjustment.

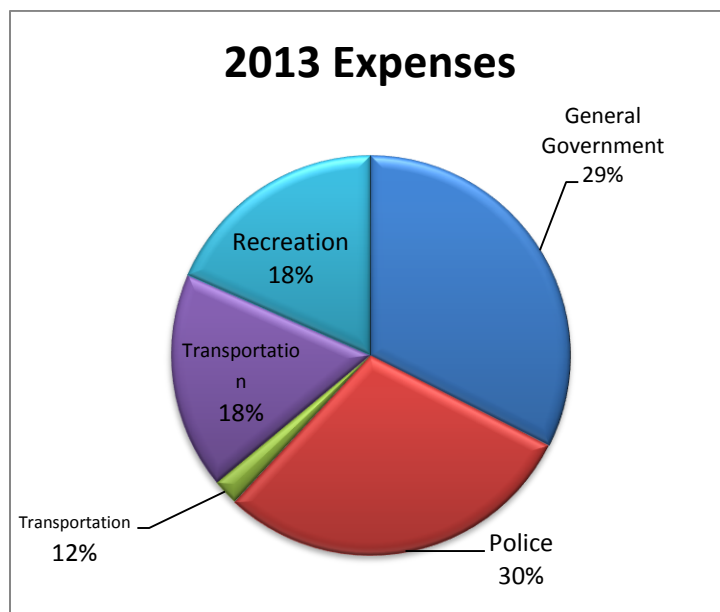
	Governmental Activities	Business-type Activities	Totals
	2013	2013	2013
Revenues			
Program revenues	\$ 606,955	\$ 657,565	\$ 1,264,520
Taxes and other general revenues	724,628	23,407	748,035
Total revenues	1,331,583	680,972	2,012,555
Expenses			
General government	247,921	-	247,921
Public safety and judiciary	241,705	-	241,705
Transportation	183,906	-	183,906
Recreation	144,373	-	144,373
Water	-	208,760	208,760
Sewer	-	30,977	30,977
Sanitation	-	162,749	162,749
Customer service	-	177,732	177,732
Total expenses	817,905	580,218	1,398,123
Excess (deficiency) before transfers	513,678	100,754	614,432
Transfers	95,070	(95,070)	-
Increase (decrease) in net assets	\$ 608,748	\$ 5,684	\$ 614,432

The Town received over \$450,000 in grant funding for city-wide sidewalk improvement project as reported in program revenues of governmental funds. These funds were used for capital improvements.

Graphic presentations of selected data from the summary table follow to assist in the analysis of the Town's activities for fiscal year 2013.

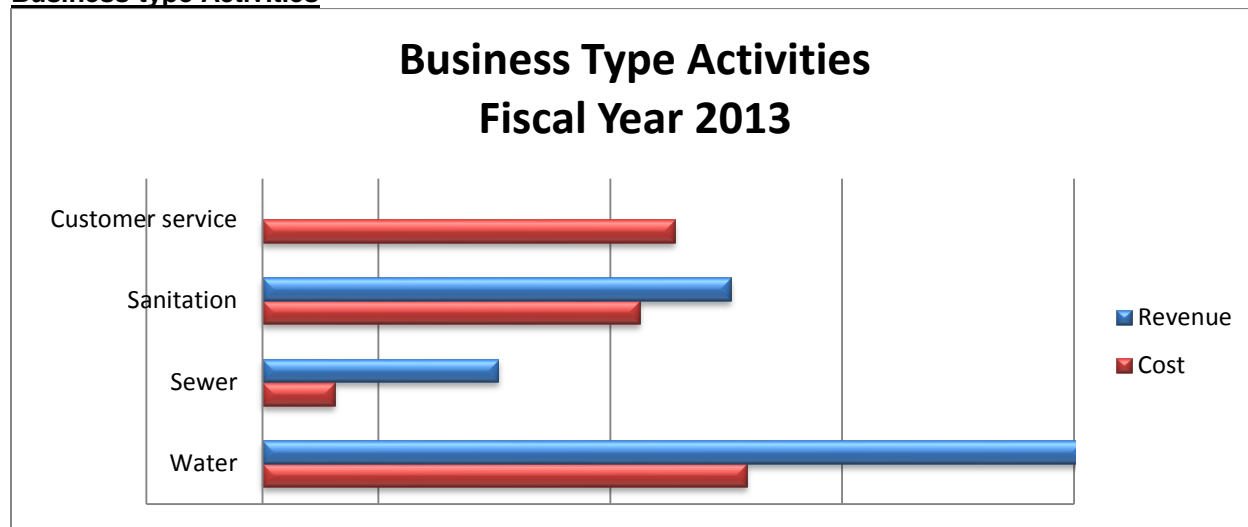


Grant funding provided 38% of the Town's governmental revenues. The next largest source was sales tax providing 32% of total governmental revenues in fiscal year 2013.



This graph shows the total governmental activities cost of \$734,161 for 2013. Of this amount, public safety at \$216,359, was the largest operating service cost, at 30% of total cost of services in 2013. These costs, as well as all governmental activities expense, were primarily funded by taxes and utility revenues transferred from the Beaver Public Works Authority. It should be noted that governmental expenses were significantly adjusted from the fund statements to the government-wide statements for the purchase and construction of capital assets. For the government-wide full accrual statements, capital outlay expenses are eliminated and capital assets reported.

Business-type Activities



Business-type activities are shown comparing costs to revenues generated by related services. Sanitation, sewer, and water activities are intended to be self-supporting with user charges and other revenues designed to recover costs. Other activities provide services with minimal user charges.

General Fund Budgetary Highlights

The original adopted General Fund budget for fiscal year 2013 was \$1,532,024. There were no budget amendments made during the fiscal year. The General Fund budget complied in all material respects with financial policies approved by the Town.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of June 30, 2013, the Town had \$1,021,885 invested in capital assets, net of depreciation, including vehicles and equipment for police and fire operations, park facilities, and street activities in governmental activities and electric lines, water lines and sewer lines in business-type activities. See table below.

Primary Government Capital Assets (net of accumulated depreciation)

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Construction in process	\$ 5,500	\$ 5,500	\$ -	\$ -	\$ 5,500	\$ 5,500
Buildings	371,431	371,431	-	-	371,431	371,431
Other improvements	728,540	169,084	85,116	61,425	813,656	230,509
Machinery & equipment	35,953	20,826	11,552	11,552	47,505	32,378
Totals	<u>\$ 1,141,424</u>	<u>\$ 566,841</u>	<u>\$ 96,668</u>	<u>\$ 72,977</u>	<u>\$ 1,238,092</u>	<u>\$ 639,818</u>

- In Governmental Activities, the most significant additions included the sidewalk project, work on 2nd street, and a 2013 Dodge Charger
- In Business-type Activities, capital additions included infrastructure work on the water wells

Long-Term Debt

At year-end, the Town had \$130,617 in long-term debt outstanding. The Town's changes in long-term debt by type of debt are as follows:

Primary Government Long-Term Debt

	<u>Governmental</u> <u>Activities</u>		<u>Business-type</u> <u>Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Notes payable	12,690	2,852	\$ 203,517	\$ 280,063	\$ 216,207	\$ 282,915
less current portion	(6,305)	(2,852)	(79,286)	(76,547)	(85,591)	(79,399)
Totals	<u>\$ 6,385</u>	<u>\$ -</u>	<u>\$ 124,231</u>	<u>\$ 203,516</u>	<u>\$ 130,616</u>	<u>\$ 203,516</u>

ECONOMIC FACTORS AND NEXT YEARS'S BUDGET AND RATES

Economic Environment

According to the Oklahoma Economic Report, the state's twelve-month gross receipts have reached an all-time high, surpassing the previous record set in December 2008. State Treasurer, Ken Miller, Oklahoma has "regained and moved past the ground it lost during the Great Recession". Although the national economy has been sluggish, Oklahoma has shown significant improvement. The economic environment of the state sheds light on that local economy, as the Town has also seen improvement.

The Town of Beaver has noted a slight increase in sales and other tax revenues when compared to prior year. Utility billing has remained consistent between years. Continued improvement in the Town's economic position is cautiously projected.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Town Clerk's Office the Beaver City Hall.

Town of Beaver, Oklahoma
Statement of Net Position
June 30, 2013

ASSETS	Governmental Activities	Business-type Activities	Total
Current Assets:			
Cash and cash equivalents	\$ 272,628	\$ 71,324	\$ 343,952
Accounts receivable (net)	64,696	41,566	106,262
Total current assets	<u>337,324</u>	<u>112,890</u>	<u>450,214</u>
Restricted assets:			
Cash and cash equivalents	182,078	16,399	198,477
Investments, including time deposits	-	125,000	125,000
Total restricted assets	<u>182,078</u>	<u>141,399</u>	<u>323,477</u>
Noncurrent Assets:			
Other capital assets (net of accumulated depreciation)	1,141,425	96,668	1,238,093
Total noncurrent assets	<u>1,141,425</u>	<u>96,668</u>	<u>1,238,093</u>
Total assets	<u>\$ 1,660,827</u>	<u>\$ 350,957</u>	<u>\$ 2,011,784</u>
 LIABILITIES			
Current liabilities:			
Accounts payable	\$ 12	\$ 9,750	\$ 9,762
Salary and benefits payable	17,541	7,883	25,424
Current portion of long term debt	6,305	79,286	85,591
Total current liabilities	<u>23,858</u>	<u>96,919</u>	<u>120,777</u>
Long-term liabilities:			
Customer deposits payable	-	14,095	14,095
Long-term debt	6,385	124,232	130,617
Total long-term liabilities	<u>6,385</u>	<u>138,327</u>	<u>144,712</u>
Total liabilities	<u>30,243</u>	<u>235,246</u>	<u>265,489</u>
 NET POSITION			
Invested in capital assets, net of related debt	1,128,735	(106,850)	1,021,885
Restricted	127,814	2,304	130,118
Unrestricted	374,035	220,257	594,292
Total net position	<u>\$ 1,630,584</u>	<u>\$ 115,711</u>	<u>\$ 1,746,295</u>

Town of Beaver, Oklahoma
Statement of Activities
Year Ended June 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense)/ Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants & Contributions	
Governmental activities:					
General government:					
General government	\$ 247,921	\$ 9,115	\$ -	\$ 474,955	\$ 236,149
Public safety	241,705	17,850	8,618	4,774	(210,463)
Transportation	183,906	10,502	35,775	-	(137,629)
Recreation	144,373	45,366	-	-	(99,007)
Total governmental activities	<u>\$ 817,905</u>	<u>\$ 82,833</u>	<u>\$ 44,393</u>	<u>\$ 479,729</u>	<u>\$ (210,950)</u>
Business-type activities:					
Utility services:					
Water	\$ 208,760	\$ 353,855	\$ -	\$ -	\$ 145,095
Sewer	30,977	101,642	-	-	70,665
Sanitation	162,749	202,068	-	-	39,319
Customer service	177,732	-	-	-	(177,732)
Total business-type activities	<u>580,218</u>	<u>657,565</u>	<u>-</u>	<u>-</u>	<u>77,347</u>
Total primary government	<u>\$ 1,398,123</u>	<u>\$ 740,398</u>	<u>\$ 44,393</u>	<u>\$ 479,729</u>	<u>\$ (133,603)</u>

Town of Beaver, Oklahoma
Statement of Activities (continued)
Year Ended June 30, 2013

Changes in Net Assets:

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Net (expense)/revenue	\$ (210,950)	\$ 77,347	\$ (133,603)
General revenues:			
Taxes:			
Sales tax	410,237	-	410,237
Use tax	128,928	-	128,928
Franchise taxes	43,909	-	43,909
Alcoholic beverage tax	117,448	-	117,448
Cigarette tax	5,200	-	5,200
Investment income	4,099	1,743	5,842
Penalties	-	8,640	8,640
Miscellaneous	14,807	13,024	27,831
Transfers - Internal activity, net	95,070	(95,070)	-
Total general revenues and transfers	819,698	(71,663)	748,035
 Change in net position	 608,748	 5,684	 614,432
 Net position-beginning, restated	 1,021,836	 110,027	 1,131,863
Net position-ending	<u>\$ 1,630,584</u>	<u>\$ 115,711</u>	<u>\$ 1,746,295</u>

**Town of Beaver, Oklahoma
Balance Sheet
Governmental Funds
June 30, 2013**

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
ASSETS					
Cash	\$ 416,075	\$ 18,994	\$ 1,042	\$ 18,595	\$ 454,706
Taxes receivable	64,696	-	-	-	64,696
Total assets	<u>\$ 480,771</u>	<u>\$ 18,994</u>	<u>\$ 1,042</u>	<u>\$ 18,595</u>	<u>\$ 519,402</u>
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ -	\$ 12	\$ 12
Salaries and benefits payable	17,541	-	-	-	17,541
Current portion of long-term debt	6,305	-	-	-	6,305
Total liabilities	<u>23,846</u>	<u>-</u>	<u>-</u>	<u>12</u>	<u>23,858</u>
FUND BALANCES					
Restricted	108,820	18,994	-	-	127,814
Assigned	34,627	-	1,042	18,583	54,252
Unassigned	313,478	-	-	-	313,478
Total fund balances	<u>456,925</u>	<u>18,994</u>	<u>1,042</u>	<u>18,583</u>	<u>495,544</u>
Total liabilities and fund balances	<u>\$ 480,771</u>	<u>\$ 18,994</u>	<u>\$ 1,042</u>	<u>\$ 18,595</u>	<u>\$ 519,402</u>
Total fund balance- total governmental funds					495,544
Amounts reported for governmental activities in the Statement of Net Assets are different because:					
Land and capital assets, net of accumulated depreciation, are not financial resources and, therefore, are not reported in the funds.					
	Land and construction in process		\$ 5,500		
	Capital assets		2,450,669		
	Less: Accumulated depreciation		<u>(1,314,744)</u>		1,141,425
Long-term liabilities are not due and payable in the current period and are not reported in the funds.					(6,385)
Net assets of governmental activities					<u>\$ 1,630,584</u>

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

	General Fund	Alice Spohn Newton Endow Fund	Bus Transit Fund	Beaver Dunes Fund	Total Governmental Fund
<u>REVENUES</u>					
Sales tax	\$ 410,237	\$ -	\$ -	\$ -	\$ 410,237
Use tax	128,928	-	-	-	128,928
Beverage tax	117,448	-	-	-	117,448
Franchise taxes	43,909	-	-	-	43,909
Cigarette tax	5,200	-	-	-	5,200
Motor vehicle tax	13,423	-	-	-	13,423
Licenses and permits	601	-	-	-	601
Police fines	17,850	-	-	-	17,850
Charges for services	-	-	10,502	45,366	55,868
Rents and royalties	8,514	-	-	-	8,514
Intergovernmental	474,955	-	22,352	-	497,307
Donations	3,175	-	283	-	3,458
Miscellaneous	21,315	-	574	-	21,889
Proceeds from debt issuance	12,690	-	-	-	12,690
Investment income	4,049	21	6	23	4,099
Total revenues	1,262,294	21	33,717	45,389	1,341,421
<u>EXPENDITURES</u>					
General government	238,088	-	-	-	238,088
Police	216,359	-	-	-	216,359
Fire	15,583	-	-	-	15,583
Transportation	92,872	-	36,043	-	128,915
Recreation	99,062	-	-	36,154	135,216
Total department expenditures	661,964	-	36,043	36,154	734,161
Capital outlay	658,328	-	-	-	658,328
Total expenditures	1,320,292	-	36,043	36,154	1,392,489
Excess (deficiency) of revenues over expenditures	(57,998)	21	(2,326)	9,235	(51,068)
<u>OTHER FINANCING SOURCES (USES)</u>					
Transfers in	92,103	-	-	5,000	97,103
Transfers out	(2,033)	-	-	-	(2,033)
Total other financing sources and uses	90,070	-	-	5,000	95,070
Net change in fund balances	32,072	21	(2,326)	14,235	44,002
Fund balances - beginning, restated	424,853	18,973	3,368	4,348	451,542
Fund balances - ending	\$ 456,925	\$ 18,994	\$ 1,042	\$ 18,583	\$ 495,544

Town of Beaver, Oklahoma
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
June 30, 2013

Reconciliation of the change in fund balances - total governmental funds
to the change in net assets of governmental activities:

Net change in fund balances - total governmental funds	\$ 44,002
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Amounts reported for governmental activities in the Statement of Activities are
different because:

Governmental funds report capital outlays as expenditures. However, in the
statement of activities, the cost of those assets is allocated over their estimated
useful lives and reported as depreciation expense.

Capital asset purchases capitalized	658,328
Depreciation expense	(83,744)

The proceeds of debt issuance provides current financial resources to governmental
funds, but issuing debt increases long-term liabilities in the statement of net position.
Repayment of debt principal is an expenditure in the governmental funds, but the
repayment reduces long-term liabilities in the statement of net position.

Proceeds from debt service	(12,690)
Principal paid on outstanding debt	<u>2,852</u>

Change in Net Assets of Governmental Activities	<u><u>\$ 608,748</u></u>
---	--------------------------

Town of Beaver, Oklahoma
Statement of Net Position
Proprietary Funds
June 30, 2013

	Business-type Activities
	Public Works Authority
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 71,324
Accounts receivable (net)	41,566
Total current assets	<u>112,890</u>
Noncurrent assets:	
Restricted assets:	
Cash and cash equivalents	141,399
Total restricted assets	<u>141,399</u>
Noncurrent assets:	
Capital assets (net)	96,668
Total noncurrent assets	<u>96,668</u>
Total assets	<u><u>\$ 350,957</u></u>
LIABILITIES	
Current liabilities:	
Accounts payable	\$ 9,750
Payroll liabilities	7,883
Current portion of notes payable	79,286
Total current liabilities	<u>96,919</u>
Long-term liabilities:	
Customer deposits payable	14,095
Notes payable	124,232
Total long-term liabilities	<u>138,327</u>
Total liabilities	<u>235,246</u>
NET POSITION	
Invested in capital assets, net of related debt	\$ (106,850)
Restricted	2,304
Unrestricted	<u>220,257</u>
Total net position	<u><u>\$ 115,711</u></u>

Town of Beaver, Oklahoma
Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities
	Public Works Authority
<u>Operating revenues:</u>	
Charges for services:	
Water charges	\$ 353,855
Sewer charges	101,642
Sanitation charges	202,068
Penalties	8,640
Total charges for services	666,205
Miscellaneous	13,025
Total operating revenues	679,230
<u>Operating expenses:</u>	
Personal services	271,754
Materials and supplies	146,118
Other services and charges	140,092
Depreciation and amortization	12,624
Total operating expenses	570,588
Net operating income	108,642
<u>Nonoperating revenue (expense):</u>	
Investment income	1,743
Interest expense	(9,631)
Total nonoperating revenue/(expense)	(7,888)
Net Income before contributions and transfers	100,754
Transfers from other funds	2,033
Transfers to other funds	(97,103)
	(95,070)
Change in net position	5,684
Net position-beginning of year	5,407
Prior period adjustment	104,620
Net position-end of year	\$ 115,711

Town of Beaver, Oklahoma
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013

	Business-type Activities
	Public Works Authority
Cash flows from operating activities:	
Receipts from customers/patients	\$ 665,760
Payments to suppliers	(276,460)
Payments to employees	(263,871)
Other operating revenues	13,025
Net cash provided (used) by operating activities	138,454
Cash flows from non-capital financing activities:	
Transfers to other funds	(97,103)
Net cash provided (used) by non-capital financing activities	(97,103)
Cash flows from capital and related financing activities:	
Purchase of capital assets	(36,315)
Payments made on long term debt financing	(76,546)
Interest paid on long term debt	(9,631)
Net cash provided (used) by capital and related financing activities	(122,492)
Cash flows from investing activities:	
Investment income	1,743
Net cash provided (used) by investing activities	1,743
Net increase (decrease) in cash and cash equivalents	(79,398)
Cash and cash equivalents, July 1, 2012	292,121
Cash & cash equivalents, June 30, 2013	\$ 212,723
Cash, including time deposits	\$ 71,324
Restricted cash, including time deposits	141,399
Total cash and cash equivalents, end of year	\$ 212,723
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ 108,642
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	12,624
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(445)
Increase (decrease) in accounts payable	9,750
Increase (decrease) in payroll liabilities	7,883
Total adjustments	29,812
Net cash provided (used) by operating activities	\$ 138,454

Town of Beaver, Oklahoma
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2013

	Total Agency Funds
	<hr/>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 1,052
	<hr/>
Total assets	\$ 1,052
	<hr/>
LIABILITIES	
Municipal bond liabilities	\$ 1,052
	<hr/>
Total liabilities	\$ 1,052
	<hr/>

Town of Beaver, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 300,323	\$ -	\$ 300,323	\$ 345,541	\$ 45,218
Use tax	45,000	-	45,000	128,928	83,928
Tobacco tax	4,000	-	4,000	5,200	1,200
Alcohol beverage tax	90,000	-	90,000	117,448	27,448
Franchise tax	39,517	-	39,517	43,909	4,392
Intergovernmental	13,600	-	13,600	-	(13,600)
Rents and royalties	3,600	-	3,600	8,514	4,914
Police fines	3,800	-	3,800	17,850	14,050
Licenses and permits	450	-	450	601	151
DOC reimbursement	6,000	-	6,000	6,000	-
Airport revenues	18,000	-	18,000	-	(18,000)
Bus Transit revenues	33,985	-	33,985	33,711	(274)
Grants	4,400	-	4,400	474,955	470,555
Interest	800	-	800	4,099	3,299
Other Revenue	250	-	250	-	(250)
Total revenues before carryover	563,725	-	563,725	1,186,756	623,031
EXPENDITURES					
Current:					
General government					
General government	323,700	-	323,700	284,838	38,862
Total general government	323,700	-	323,700	284,838	38,862
Public safety					
Police department	237,676	-	237,676	216,359	21,317
Department of corrections	6,000	-	6,000	6,000	-
Fire department	22,050	-	22,050	15,583	6,467
Total public safety	265,726	-	265,726	237,942	27,784
Parks and recreation					
Parks department	65,103	-	65,103	52,312	12,791
Total parks and recreation	65,103	-	65,103	52,312	12,791
Transportation					
Street and alley	825,600	-	825,600	751,200	74,400
Airport	18,000	-	18,000	-	18,000
Bus transit fund	33,895	-	33,895	36,043	(2,148)
Total transportation	877,495	-	877,495	787,243	90,252
Total expenditures	1,532,024	-	1,532,024	1,362,335	169,689
Revenue over (under) expenditures	(968,299)	-	(968,299)	(175,579)	453,342
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	90,070	90,070
Net other financing sources (uses)	-	-	-	90,070	90,070
Revenues and other financing sources over (under) expenditures and other uses	(968,299)	-	(968,299)	(85,509)	543,412
Fund balance at beginning of year, restated (Non-GAAP budgetary basis)			968,299	533,898	(434,401)
Fund balance at end of year (Non-GAAP budgetary basis)			\$ -	\$ 448,389	\$ 109,011
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				64,696	
Expenditure and transfer accruals				(17,541)	
Fund balance at end of year (GAAP basis)				\$ 495,544	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Town of Beaver, Oklahoma (the "Town") is incorporated under the provisions of the State of Oklahoma per Executive Department Proclamation on January 6, 1902. The Town operates under the Statutory Town Board of Trustees form of government. The Town provides the following services: public safety (police and fire protection), street maintenance, utility (sanitation, water, and sewer), recreation, public improvements, and general administrative services.

The Reporting Entity

The Town, for financial purposes, includes all of the funds and account groups relevant to the operation of the Town of Beaver. The accompanying financial statements present the Town's primary government and component units over which the Town exercises significant influence. Significant influence or accountability is based primarily on operational or financial relationships with the Town. The financial statements presented herein do not include agencies which have been formed under applicable state laws or separate and distinct units of government apart from the Town of Beaver.

Due to restrictions of the state constitution relating to the issuance of municipal debt, public trusts are created to finance Town services with revenue bonds or other non-general obligation financing and provide for multi-year contracting. Financing services provided by these public trusts are solely for the benefit of the Town. Public trusts created to provide financing services are blended into the Town's primary government as an integral part of Town operations although retaining separate legal identity. Component units that do not meet the criteria from blending are reported discretely.

Blended Component Units Reported with Primary Government

Beaver Public Works Authority (the "Authority") – was created in December 1984 under provision of the Oklahoma Statutes by a Declaration of the Trust. The Town has beneficial interest and the trustees of the Town serve as Trustees of the Authority. Town employees carry on the activities of the Authority. The Authority provides water, sewer, and trash services to the citizens of Beaver. Accounts of the Authority are recorded in business-type activities.

Fiduciary Component Unit

Beaver Municipal Bond Fund – accounts for the municipal police department bonds reported as an agency fund in the Fiduciary Fund financial statements.

B. Basis of Presentation

Government-Wide Financial Statements:

The government-wide financial statements include the statement of net assets and statement of activities. These statements report financial information for the Town as a whole excluding fiduciary activities, which consists of the Beaver Municipal Charitable Trust. The statements distinguish governmental activities, generally supported by taxes and Town general revenues, from business-type activities, generally financed in whole or in part with fees charged to external customers. Individual funds are not displayed by the statements.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services with usage fees, fines and forfeitures, and other charges to users of the Town's services; (2) operating grants and contributions which finance annual operating activities; and (3) capital grants and contributions which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and other revenues sources not properly included with program revenues are reported as general revenues.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or utility services.

Certain reclassifications have been made to prior period balances in order to conform to the current period's presentation.

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which is considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts which constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary.

Measurement Focus and Basis of Accounting

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America, GAAP. The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The Town's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

The government-wide statements report using the economic resources measurements focus and the accrual basis of accounting. Proprietary and fiduciary fund financial statements and financial statements of the Town's component units also report using the same focus and basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Governmental fund financial statements are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considered revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenses are recorded when the related fund liability is incurred.

Major revenue sources susceptible to accrual include: sales and use taxes, intergovernmental revenues, and investment income. In general, other revenues are recognized when cash is received.

Operating income reported in the proprietary fund financial statements includes revenues and expenses related to the primary, continuing operations of the fund. Principal operating revenues for proprietary funds are charges to customers for sales or services. Principal operating expenses are the costs of provided goods or services and include administrative expenses and depreciation of capital assets. Other revenues and expenses are classified as non-operating in the financial statements.

Restricted Assets

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities current in nature are reported with current assets and current liabilities in the financial statements.

Use of Estimates

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect certain reporting amounts and disclosures; accordingly, actual results could differ from those estimates.

Interfund Balances

Generally, outstanding balances between funds reported and due to/due from other funds include outstanding charges by one fund to another for services or goods or miscellaneous receivables/payables between funds. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year and are described as due to/due from other funds.

Date of Management's Review

Subsequent events were evaluated through November 11, 2014, which is the date the financial statements were available to be issued.

C. Fund Types and Major Funds

Major Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and is always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally or administratively restricted to expenditures for specified purposes. The reporting entity includes the following special revenue funds:

FUND	BRIEF DESCRIPTION
Alice Spohn Newton Endowment	Accounts for the 2007 endowment of property and cash for the use of the Town
Bus Transit Fund	Accounts for the operations of the public bus service, which is supported through charges for services and reimbursement from the Oklahoma Department of Transportation
Beaver Dunes	Accounts for the operations of the Beaver Dunes as leased from the Pioneer Memorial Park Association

Major Proprietary Funds

FUND	BRIEF DESCRIPTION
<u>Beaver Public Works Authority</u>	Accounts for the activities of the Authority in providing water, sewer, and solid waste services to the public.

D. Budgets and Budgetary Accounting

Budget Policy and Practice

The Town Administrator submits an annual budget to the Board of Trustees in accordance with the Oklahoma Municipal Budget Act. The budget is presented to the Board of Trustees for review, and public hearings are held to address priorities and the allocation of resources. In June, the Board of Trustees adopts the annual fiscal year budgets for Town operating funds. Budget amendments or supplements may be made during the year when unexpected modifications are required in estimated revenues and appropriations. Budget amendments are recommended by the Town Administrator and must be approved by the Board of Trustees. Public trusts submit budgets and other planning documents to their respective governing bodies. Other funds budgeted on a project-length basis are also subjected to the Board of Trustees review and approval process.

Budgetary Control

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by source. Expenditures are budgeted by department and object class as follows: personal services, other services and charges, materials and supplies, capital outlay, transfers, and debt service. This legal level of control is by department within a fund. Expenditures may not exceed appropriations at this level. Budget revisions at this level are subject to final review by the Town Council. Within these control levels, management may transfer appropriations without Board approval.

Budget Basis of Accounting

The combined statements of revenues, expenditures and changes in fund balances (budget and actual) present comparisons of legally adopted budgets with actual data on a budgetary basis. The budgetary basis of accounting differs from GAAP in that the cash basis of accounting is used. Revenues are budgeted in the year receipt is expected; and expenditures, which include encumbrances, are budgeted in the year that the applicable purchase orders are expected to be issued. All appropriations (including encumbered) lapse at year-end; any open encumbrances to be honored in the subsequent budget year are reappropriated in the new year's budget. As a result, no reserve for encumbrances is reported at year-end.

The budget amounts shown in the financial statements are the final authorized amounts. No revisions were made during the year.

E. Assets, Liabilities and Equity

Cash and Investments

For the purposes of the combined balance sheet and the statement of cash flows, "cash and cash equivalents" includes all demand deposits, savings accounts and certificates of deposits or short-term investments (including restricted assets) with an original maturity of three months or less. Deposits are stated at cost.

Investments are reported at fair value which is determined using market prices. Short-term investments are reported at cost, which approximates fair value.

Allowance for Uncollectible Accounts

Significant receivables include sales and use tax receivables and amounts due from customers primarily for utility services. These receivables are due within one year. The Town has established an allowance for collectible accounts based on management's prior experience using past due amounts more than 60 to 90 days. Management does not believe there are significant losses in excess of the allowance.

Property, Plant and Equipment

The accounting treatment over property, plant and equipment (fixed assets) depends on whether the assets are used in governmental fund operations or proprietary fund operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost or estimated historical cost, if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the asset value or materially extend the useful lives are not capitalized.

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Proprietary fund and similar component unit fixed assets are recorded in the respective funds or component units and depreciated using the straight-line method. When proprietary fund fixed assets are disposed, the cost and applicable accumulated depreciation is removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follows:

• Buildings	25-50 years
• Other improvements	2-50 years
• Machinery, furniture & equipment	5-20 years
• Infrastructure	25-50 years

Fund Financial Statements:

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Fixed assets used in proprietary fund operations are accounted for the same as in the government-wide statements.

Long-Term Debt

In the government-wide, proprietary, and component unit financial statements, outstanding debt is reported as a liability.

Equity Classifications

Governmental Fund Balances

The Governmental Accounting Standards Board (GASB) has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54). This Statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

Nonspendable

Fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned),

Restricted

Fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation,

Committed

Fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Town Council, the Town's highest level of decision-making authority,

Assigned

Fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed, and

Unassigned

Fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

Net Position

Both proprietary fund financial statements and government-wide financial statements report net position. Amounts invested in capital assets, net of related debt and legally restricted amounts are separated from unrestricted net assets.

Invested in capital assets, net of related debt

The amount restricted consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net assets

Amounts reported as restricted consist of net assets with constraints placed on their use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Prior Period Adjustments

Certain adjustments were made to the prior year net position due to a change in presentation of prior year balances.

F. Revenues, Expenditures and Expenses

Sales Tax

The Town levied a 2% sales tax on taxable sales within the Town. The sales tax is collected by the Oklahoma Tax Commission and remitted to the Town in the month following receipt by the Tax Commission. The sales tax received is recorded as sales tax revenue within the general fund. There are no restrictions on the use of the sales tax proceeds.

Charges for Services

Program revenues reported with governmental activities include charges for services like permits and fees, park charges, and fines and forfeitures. Business-type activity charges for services include all operating income of proprietary funds.

Grants and Contributions

Governmental grants and contributions primarily consist of grants from Federal and state agencies. The nature of the grant determines if it is reported as operating or capital program revenues.

Business-type activity grants and contributions include donations from others as well as grants from Federal and state agencies.

Interfund Transfers

Permanent reallocation of resources between funds of the reporting entity is classified as interfund transfers. Recurring transfers for operational purposes are classified as "operating transfers", while non-recurring transfers of equity are reported as "residual equity transfers".

(2) STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

By its nature as local government unit, the Town and its component unit are subject to various federal, state and local laws and contractual regulations. An analysis of the Town's compliance with significant laws and regulations and demonstration of its stewardship over town resources follows:

A. Deficit Fund Net Assets/Fund Balance

Deficits resulting from accrual reporting do not constitute violations of Oklahoma State Statutes.

The Town reported no deficit fund net assets or fund balances for the fiscal year.

B. Budget Requirements

For the year ended June 30, 2013, the Town did not materially overspend in any department-level category.

C. Revenue Restrictions

The Town has various restrictions placed over certain revenue sources from state or local or administrative requirements. The primary restricted revenue sources include:

<u>REVENUE SOURCE</u>	<u>LEGAL RESTRICTIONS OF USE</u>
Gasoline Excise/Commercial Vehicle Tax	Street and Alley Purposes

(3) DETAIL NOTES ON TRANSACTION CLASSES/ACCOUNTS

A. Cash and Investments

Deposits

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned or the Town will not be able to recover collateral securities in the possession of an outside party. The Town's deposits are secured by collateral values at market or par, whichever is lower, less the amount covered by the Federal Deposit Insurance Corporation (FDIC). Deposited funds may be invested in certificates of deposit in institutions with an established record of fiscal health and service.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes.

Investments

The Town invests primarily in certificates of deposit.

<u>Types of Investments</u>	<u>Fair Value/ Carrying Amount</u>	<u>Cost</u>	<u>Average Credit Quality/ Ratings (1)</u>	<u>Weighted Average Days to Maturity (2)</u>
Business-type Activities				
INVESTMENTS:				
Certificates of deposit	\$ 125,000	\$ 125,000	N/A	28
Total investments	<u>125,000</u>	<u>125,000</u>		
Total business-type investments	<u>\$ 125,000</u>	<u>\$ 125,000</u>		

RECONCILIATION TO STATEMENT OF NET ASSETS

Investments, unrestricted	\$ 25,972
Investments, restricted	99,028
Total business-type investments	<u>\$ 125,000</u>

(1) Ratings are provided where applicable to indicate associated **Credit Risk**. N/A indicates not applicable.

(2) **Interest rate risk** is estimated using either duration or weighted average days to maturity depending on the respective policy.

B. PROPERTY, PLANT AND EQUIPMENT

Governmental Activities:

A summary of the changes in the governmental activities fixed assets at June 30, 2013 follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Construction in process	\$ -	\$ 5,500	\$ -	\$ 5,500
Buildings & structures	1,289,299	-	-	1,289,299
Machinery, furniture, & equipment	341,147	22,690	-	363,837
Improvements other than land	<u>167,395</u>	<u>630,138</u>	<u>-</u>	<u>797,533</u>
Total	1,797,841	658,328	-	2,456,169
Less accumulated depreciation	<u>1,231,000</u>	<u>83,744</u>	<u>-</u>	<u>1,314,744</u>
Fixed assets, net	<u>\$ 566,841</u>	<u>\$ 574,584</u>	<u>\$ -</u>	<u>\$ 1,141,425</u>

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Business-Type Activities:

A summary of the proprietary fund types fixed assets at June 30, 2013 follows:

	<u>Balance at June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at June 30, 2013</u>
Beaver Public Works Authority				
Buildings	\$ 127,443	\$ -	\$ -	\$ 127,443
Machinery, furniture, & equipment	118,542	5,315	-	123,857
Infrastructure improvements	<u>764,267</u>	<u>31,000</u>	<u>-</u>	<u>795,267</u>
 Total	 1,010,252	 36,315	 -	 1,046,567
Less accumulated depreciation	<u>937,275</u>	<u>12,624</u>	<u>-</u>	<u>949,899</u>
 Fixed assets, net	 <u><u>\$ 72,977</u></u>	 <u><u>\$ 23,691</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 96,668</u></u>

Depreciation of all exhaustible fixed assets used by proprietary funds is charged as an expense against its operations. Accumulated depreciation is reported on proprietary fund balance sheets.

Depreciation expense was charged to functions in the statement of activities as follows:

Depreciation expense charges to governmental activities:

General government	\$ 9,833
Public safety & judiciary	9,763
Transportation	54,991
Cultural, parks & recreation	9,157
Total governmental activities depreciation expense	<u><u>\$ 83,744</u></u>

Depreciation expense charges to business-type activities:

Customer service	\$ 2,300
Water	5,106
Sanitation	5,218
Total business-type activities depreciation expense	<u><u>\$ 12,624</u></u>

C. LONG-TERM DEBT

The following is a summary of enterprise fund long-term debt for the year ended June 30, 2013:

NOTE PAYABLE

Governmental Activities:

Note payable to First Security Bank, original amount of \$12,690 for the purchase of a 2013 Dodge Charger for the police department. Note is paid monthly at an interest rate of 2.015%. Loan matures June 2015.

\$ 12,690
<u><u>\$ 12,690</u></u>

TOWN OF BEAVER, OKLAHOMA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013

Business-Type Activities:

Loan payable to the Oklahoma Water Resources Board through the Clean Water State Revolving Fund in the amount of \$844,000 at an interest rate of 3.43%. Loan originated in February 1996, maturing August 2015. Proceeds were used for water system improvements. 138,425

Loan payable to the Oklahoma Water Resources Board through the Clean Water State Revolving Fund in the amount of \$373,393 at an interest rate of 3.54%. Loan originated in August 1997, maturing August 2015. Proceeds were used for water system improvements. 65,092

\$ 203,517

Changes in Long-Term Debt:

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Debt</u>	<u>Balance at July 1, 2012</u>	<u>Amount Issued</u>	<u>Amount Retired</u>	<u>Balance at June 30, 2013</u>	<u>Due Within One Year</u>
Governmental activities:					
FSB - PY loan	\$ 2,852	\$ -	\$ 2,852	\$ -	\$ -
FSB - Police Vehicle	-	12,690	-	12,690	6,305
Total governmental activities	<u>\$ 2,852</u>	<u>\$ 12,690</u>	<u>\$ 2,852</u>	<u>\$ 12,690</u>	<u>\$ 6,305</u>
Business-type activities:					
OWRB 1996	\$ 190,521	\$ -	\$ 52,096	\$ 138,425	\$ 53,942
OWRB 1997	89,542	-	24,450	65,092	25,344
Total business-type activities	<u>\$ 280,063</u>	<u>\$ -</u>	<u>\$ 76,546</u>	<u>\$ 203,517</u>	<u>\$ 79,286</u>
Total primary government debt	<u>\$ 282,915</u>	<u>\$ 12,690</u>	<u>\$ 79,398</u>	<u>\$ 216,207</u>	<u>\$ 85,591</u>

Annual Debt Service Requirements:

The annual debt service requirements to maturity, including principal and interest, for long-term debt as of June 30, 2013 follow:

<u>Year Ending June 30</u>	<u>Governmental Notes Payable</u>		<u>Business-Type Notes Payable</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	6,305	187	79,286	6,453
2015	6,385	107	82,096	3,644
2016	-	-	42,135	734
Totals	<u>\$ 12,690</u>	<u>\$ 294</u>	<u>\$ 203,517</u>	<u>\$ 10,831</u>

D. INTERFUND TRANSACTIONS AND BALANCES

Operating transfers for the year ended June 30, 2013 were as follows:

Operating Transfers	Transfers In	Transfers Out
GENERAL FUND:		
Beaver Public Works Authority	\$ 95,070	-
ENTERPRISE FUND: Public Works		
General Fund	-	95,070
Grand Total	<u><u>\$ 95,070</u></u>	<u><u>\$ 95,070</u></u>

(4) RETIREMENT PLANS

Plan Description

The Town participates in a statewide, cost-sharing, multiple-employer defined benefit plans on behalf of volunteer firefighters. The table below is a summary of eligibility factors contribution methods, and benefit provisions. The Town of Fort Supply is supported by a voluntary force of firefighters.

These two systems are administered by agencies of the State of Oklahoma and funded by contributions from participants, employers, insurance premium taxes, and state appropriations as necessary.

	<u>Oklahoma Firefighter's Pension and Retirement System</u>
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Plan member's contribution rate	0% of covered payroll
Town's contribution rate	\$60 per year, per firefighter (volunteer)
Period required to vest	10 years
Benefits and eligibility for distribution (full time)	NA
Benefits and eligibility for distribution (volunteer)	20 years credited service equal to \$7.53 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited service with continued service for 30 or more years.

Employer contribution rates are determined by Oklahoma State Statute and administered by agencies of the State. The Town made required contributions of \$900 to the Oklahoma Firefighter Pension and Retirement for the year ended June 30, 2013.

Copies of the actuarial reports may be obtained from the respective state retirement systems; Oklahoma Firefighter Pension and Retirement System at 4545 N. Lincoln Blvd. Suite 265, Oklahoma City, OK 73105.

(6) COMMITMENTS AND CONTINGENCIES

A. Litigation

The Town is a party to various legal proceedings, which normally occur in the course of governmental operations. The financial statements do not include accrual or provisions for loss contingencies that may result from these proceedings. State statutes provide for the levy of an ad valorem tax over a three-year period by a Town "Sinking Fund" for the payment of any court assessed judgment rendered against the Town.

B. Grant Program Involvement

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability for reimbursement, which may arise as a result of these audits, cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Town of Beaver, Oklahoma
General Fund
Statement of Revenues, Expenditures, Encumbrances, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
Year Ended June 30, 2013

	Original Budget	Revisions	Revised Budget	Actual	Variance - Favorable (Unfavorable)
REVENUES					
Sales tax	\$ 300,323	\$ -	\$ 300,323	\$ 345,541	\$ 45,218
Use tax	45,000	-	45,000	128,928	83,928
Tobacco tax	4,000	-	4,000	5,200	1,200
Alcohol beverage tax	90,000	-	90,000	117,448	27,448
Franchise tax	39,517	-	39,517	43,909	4,392
Intergovernmental	13,600	-	13,600	-	(13,600)
Rents and royalties	3,600	-	3,600	8,514	4,914
Police fines	3,800	-	3,800	17,850	14,050
Licenses and permits	450	-	450	601	151
DOC reimbursement	6,000	-	6,000	6,000	-
Airport revenues	18,000	-	18,000	-	(18,000)
Bus Transit revenues	33,985	-	33,985	33,711	(274)
Grants	4,400	-	4,400	474,955	470,555
Interest	800	-	800	4,099	3,299
Other Revenue	250	-	250	-	(250)
Total revenues before carryover	563,725	-	563,725	1,186,756	623,031
EXPENDITURES					
Current:					
General government					
General government	323,700	-	323,700	284,838	38,862
Total general government	323,700	-	323,700	284,838	38,862
Public safety					
Police department	237,676	-	237,676	216,359	21,317
Department of corrections	6,000	-	6,000	6,000	-
Fire department	22,050	-	22,050	15,583	6,467
Total public safety	265,726	-	265,726	237,942	27,784
Parks and recreation					
Parks department	65,103	-	65,103	52,312	12,791
Total parks and recreation	65,103	-	65,103	52,312	12,791
Transportation					
Street and alley	825,600	-	825,600	751,200	74,400
Airport	18,000	-	18,000	-	18,000
Bus transit fund	33,895	-	33,895	36,043	(2,148)
Total transportation	877,495	-	877,495	787,243	90,252
Total expenditures	1,532,024	-	1,532,024	1,362,335	169,689
Revenue over (under) expenditures	(968,299)	-	(968,299)	(175,579)	453,342
OTHER FINANCING SOURCES (USES)					
Operating transfers in/(out)	-	-	-	90,070	90,070
Net other financing sources (uses)	-	-	-	90,070	90,070
Revenues and other financing sources over (under) expenditures and other uses	(968,299)	-	(968,299)	(85,509)	543,412
Fund balance at beginning of year, restated (Non-GAAP budgetary basis)			968,299	533,898	(434,401)
Fund balance at end of year (Non-GAAP budgetary basis)			\$ -	\$ 448,389	\$ 109,011
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES					
Revenue and transfer accruals				64,696	
Expenditure and transfer accruals				(17,541)	
Fund balance at end of year (GAAP basis)				\$ 495,544	

(1) Budgets include fund balances carried over from prior years. It is not revenue of the current period, but is presented as revenue only for budgetary reporting purposes.



INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Town Council
Town of Beaver, OK

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Town of Beaver, OK, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise Town of Beaver, OK's basic financial statements, and have issued our report thereon dated November 11, 2014.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Beaver, OK's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Beaver, OK's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Beaver, OK's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies described in the accompanying schedule of findings and responses to be material weaknesses, Finding 2013-1 and Finding 2013-2.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency described in the accompany schedule of findings and responses to be a significant deficiency, Finding 2013-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Beaver, OK's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as Finding 2013-4.

Town of Beaver, OK's Response to Findings

Town of Beaver, OK's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. Town of Beaver, OK's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

FSW & B CPA's - PLLC

FSW & B CPA's- PLLC

Woodward, OK
November 11, 2014

Town of Beaver, OK
Schedule of Findings and Responses
For the Year Ending June 30, 2013

Finding 2013-1 Overall Accounting System and Integration of Processes and Controls

Finding: As of the end of the fiscal year, the overall accounting system was inadequate to reasonably mitigate the risk that a material error in the system could occur or if it did occur be corrected in a reasonable amount of time. There are many different areas that our procedures found inconsistencies, lack of processes suitable for the organization considering the size and resources of that organization and an organizational failure to find, correct and address those deficiencies in a reasonable amount of time. We consider this finding to be most serious not because of any individual failure of a process, or lack of that process, but because the overall system lacked the design, cohesiveness and execution of a series of processes and controls which together reduce the risk of failure of that system to a reasonable level.

Criteria: We believe that a municipality should place an even greater emphasis than a privately held business on designing and implementing a financial reporting system that provides it's stakeholders with a high degree of not only being able to properly recognize their financial position and results of operations, but also in achieving critical ancillary objectives of the system which would include but not be limited to compliance with laws and regulations, safeguarding of assets and effective budgetary control. Stakeholders for a municipality should extend well beyond management and the governing body because each of those stakeholders are charged with a fiduciary responsibility of stewardship of the citizen's tax dollars and revenues from public services provided.

Effect: After correction and reconciliation of the financial statements and accounts by Town Staff and the Accounting Consultants hired by the town, the financial statements were not materially misstated which is the basis of our opinion of the audit. However, there were significant adjustments and reconciliations required after year end but before our audit began that were necessary to take the source documents and monthly/annual financial reports generated by the organization to the financial statements presented with the audit on a comprehensive basis of accounting. The problem is that both statute (Budget Law) and prudence would require a system be in place for an organization of this size and type that provided relatively accurate information to be produced that the governing body and management could make accurate and timely decisions that are in the best interest of the community. Without a comprehensive system of controls and processes that work together, not only is the timely generation of accurate financial reporting information unlikely, the risk of fraud and misappropriation are significantly increased.

Recommendation: A complete evaluation of the entire accounting and reporting function should be completed and appropriate changes made to the controls and the control environment to raise the operational effectiveness of the overall system to a level that is suitable for an organization with the size and resources of this local government.

Management Response: Management is aware of deficiencies in the overall accounting system as of the end of the year due to a change in management and personnel, the completion of a petition audit by the Oklahoma State Auditor and Inspector's office and an evaluation of the accounting and reporting system completed by an independent accounting consultant with significant experience in municipal accounting. Significant changes have been made in the overall accounting system and continue to be made as the system is continually monitored and improved to meet the standard that management believes is consistent with the concerns of the auditor.

Auditor Response to Management Response: During our inquiry with town personnel and the limited procedures that we performed to comply with an evaluation of subsequent events from the date of the financial statements through the date of our report, we agree that significant improvements have occurred to the overall system. However, since the scope of our evaluation for subsequent events is somewhat limited and we have not started the performance of our audit procedures for the next fiscal year pending affirmation of our engagement letter for audit services for FY 13, FY 14 and FY 15 by the current Town Board, we are not in a position to evaluate or opine on whether these changes are sufficient to clear this finding.

Finding 2013-2 Failure to Maintain Sufficient Source Documentation Supporting Expenditures of Town and component units.

Finding: We had multiple instances where that we were not able to find actual source documents to support expenditures of the general government and various funds or where there were inconsistencies with the source documents located and how those transactions are recorded.

Criteria: All organizations should have controls and processes in place that allow them to access supporting documentation for all transactions of the town and its component units. Specifically with regard to expenditures, at a minimum a source document should allow a disinterested knowledgeable party to ascertain why an expenditure was made, whom it was made to, when the liability was incurred and when it was paid, what it was used for and how it should be properly classified to a budgetary control account. Additionally, those records should be maintained in such a manner as to allow appropriate Town staff to locate and produce those records for auditors, lenders, trustees, management or for any other legal request pursuant to the Open Records Act in Oklahoma.

Effect: In addition to providing substantiation to provide evidence of transactions meeting the needs of the organization (reasonable person standard), maintaining sufficient documentation of those transactions executed by the organization reduces the risk of fraud or misappropriation. We were able to apply alternative procedures to all transactions that lacked supporting documentation and with those alternative procedures were able to satisfy ourselves of three important objectives for each of the questioned items. Those objectives were 1) that the transaction was a reasonable expense and for the benefit of the Town or its component units (as opposed to a misappropriation) 2) that the failure to maintain appropriate supporting evidence did not result in material change in the level of budgetary classification and control either individually or in the aggregate and 3) that the failure while systemic was the result of a failure to have adequate processes for retaining source information and not motivated by an objective to obfuscate how Town monies were spent or to hide inappropriate actions committed by staff.

Recommendation: Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all records are maintained and accessible upon demand.

Management Response: As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

Finding 2013-3 Failure to perform timely and accurate reconciliations and utilize those reconciliations for the purposes of budgetary control.

Finding: We were provided with reconciliations including bank reconciliations prepared after year end by Town Staff and the Town's accounting consultants which were accurate and tied to the year end financial statements subject to audit. However, our evaluation of the systems and processes in place indicated that prior to the town hiring a municipal accounting consultant there was not an effective reconciliation process that accomplished two important reporting objectives: completeness and cutoff. Without those procedures in place and being used each month it is unlikely that accurate budgetary control can be consistently achieved anytime that there are significant budgetary shortfalls or where there is not sufficient carryover balances that can be budgeted to cover object classifications. Additionally, because there were no outstanding encumbrances or warrants shown with the reconciliation process that was being used in the past, this method in our opinion was insufficient to meet the municipal statutory guidelines for classifying and recording expenditures in the correct fund year. The Town does use a PO system which did mitigate the effects of the ineffective reconciliations being done during the year which reduced our assessment of the overall risk.

Criteria: Effective reconciliations are a vital part of any accounting and reporting system. However, reconciling or posting transactions without taking into account the timing of outstanding items makes the reconciliation process less reflective of the actual results of operations.

Recommendation: Town should evaluate their procedures in these areas and implement new procedures or modify existing ones to ensure that all reconciliations are not only done timely but that they account for outstanding and/or uncleared items. We concur with the recommendation by the State Auditor and Inspector that this process is most effective when performed by individuals that are not responsible for other significant accounting functions including collecting receipts of government funds, making deposits or being primarily responsible for the initial entry into the accounting system.

Management Response: As indicated in response to previous finding, the accounting system is being modified and improved and this particular deficiency has been addressed.

Finding 2013-4 Failure to Comply with Town Code Sections (E) and (F) related to use of competitive bids.

Finding: We noted instances consistent with the findings of the State Auditor's Petition Audit where the Town failed to comply with its own ordinances related to items purchased that were supposed to be subject to competitive bid.

Criteria: State statutes have requirements for items that are in excess of \$ 50,000 that do not meet certain exceptions like sole source or professional services to be subject to the competitive bid process. The Town has a more restrictive ordinance that requires purchases in excess of \$ 7,500 to be competitively bid.

Recommendation: We concur with the State Auditor findings in their report dated March 20, 2014. Consistent with the State Auditor findings we did not find instances where there were purchase violations that violated the bid thresholds of Title 60 and Title 61. We recommend that the Town evaluate their competitive bid purchase ordinances and modify them to a less outdated threshold.

Management Response: We are in the process of evaluating and updating our ordinances including Town Code, Sections 7-105 (e) and (f).